



TAMIL NADU AUTOMOBILE AND AUTO COMPONENTS POLICY 2014

Industries Department
Government of Tamil Nadu





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1. AN OVERVIEW OF AUTOMOBILE INDUSTRY IN INDIA

1.1 The Indian Automotive Industry has been growing at an appreciable pace with expanding domestic and export markets during the last decade. The industry has now attained a turnover of Rs.1,65,000 crore (34 billion USD) and an investment of Rs.50,000 crore. An investment of Rs.35,000 crore is in the pipeline. The industry is providing direct and indirect employment to 1.31 crore people. It is also making a contribution of 17% to the indirect taxes¹.

1.2 The Indian automotive industry has the potential to emerge as one of the largest in the world. The country already ranks number two globally in the two-wheeler segment, next only to China. It ranks 11th in car production and 13th in commercial vehicle production. With the growing industrial production and increasing spending power of the Indian middle-class households, the country is expected to make it to the top five markets in cars and commercial vehicles by 2020². Unlike other developed markets, the Indian market is far from saturation. Also, the number of India's Heavy Trucks per capita is far below the levels of Developed countries, China and the World Average.

1.3 The growth of the economy over the past few years has attracted global auto majors to the Indian market. Moreover, India provides trained manpower at competitive costs making India a favoured global manufacturing hub. The attractiveness of the Indian markets on the one hand and the stagnation of the auto sector in markets such as Europe, US and Japan on the other, has resulted in shifting of capacities and flow of capital to the Indian automobile industry.

¹ Source : *Automotive Mission Plan of Government of India.*

² Source: *India Brand Equity Foundation.*

2. AUTO COMPONENTS INDUSTRY

2.1 The global auto component industry is estimated to be US \$ 1.2 trillion in value and is likely to increase to US \$ 1.7 trillion by 2015. Sourcing from countries like India is likely to increase from US \$ 65 billion in 2002 to US \$ 375 billion by 2015 ¹.

2.2 India is set to emerge as the destination of choice in the world for design and manufacture of automobile and auto components with its annual output reaching a level of US\$ 145 billion, accounting for more than 10 per cent of the GDP and providing additional employment to 25 million people by 2016. The turn-over of the Indian auto component industry is likely to touch US\$ 40 billion by 2015-16 ².

3. AUTOMOBILE AND AUTO COMPONENTS INDUSTRY IN TAMIL NADU

3.1 Traditionally, Tamil Nadu is known for automobile manufacturing. Since 1953, when Simpsons pioneered India's automobile industry in Chennai with the manufacture of motor cars, diesel engines and steam passenger buses, the industry has grown steadily. A number of automobile and auto components manufacturing plants have been established since then earning Chennai the sobriquet the "Detroit of India". During the 1990s and early 2000s, Tamil Nadu witnessed the second wave of the "automobile boom". Currently, there are 6 car manufacturers located around Chennai including Ford, Hyundai, Renault, Nissan, Mitsubishi and BMW. The total capacity of these 6 car projects is 13.80 lakhs units per year.

¹ Source : Working Report of Planning Commission.

² Source: Automotive Mission Plan of Government of India.

³ Source : Federation of Indian Export Organisations.

Apart from this, two more commercial vehicles manufacturing plants are under construction with a total capacity of 3.71 lakhs per annum. During 2007-09, India's total export of automobile was Rs.8861.33 crore, of which, Chennai alone exported Rs.4,733 crore (53.41%)¹. Chennai is now emerging as one of the Top 10 Global Automobile Manufacturing Centers.

3.2 Tamil Nadu has the largest auto components industry base and accounts for 35% of India's auto components production (US\$ 6.2 billion). The industry, over the years, developed the capability of manufacturing all the components required for manufacturing vehicles, which is evident from the high levels of indigenization achieved in the vehicle industry as well as the components developed for the completely Indian made vehicles. Three Chennai based industrial groups make more than 22% of India's auto components production. With an existing tyre manufacturing facility and commissioning of production by 3 larger tyre manufacturing projects, Tamil Nadu, and Chennai in particular, has become one of the largest hubs in the world for tyre manufacturing.

4. AUTO INDUSTRY IN TAMIL NADU - STRENGTHS AND OPPORTUNITIES

4.1 Strengths:

- **Excellent Port Logistics:** Three modern ports in Chennai and one in Tuticorin provide an easy gateway for exports and imports. The Chennai container terminal is the most efficient in India. The Chennai and Ennore Ports have dedicated berths for automobile exports.
- **Abundant availability of skilled manpower** at various levels, namely, shop floor operators, technicians and diploma-holders and Graduate Engineers. The State despite the presence of a large manufacturing sector, enjoys enviable industrial peace and cooperation.

- **Mature auto components base** – Chennai has over 350 Tier I to III suppliers apart from more than 4000 SMEs under Tier IV segment. All mother vehicle projects also have dedicated Vendors Parks next to them.
- **Reliable Infrastructure** – Tamil Nadu offers high quality infrastructure in terms of power, roads, communication, water availability, waste disposal, etc.
- **Testing and Certification facility:** NATRiP, a Govt of India project established in Oragadam near Chennai with a test track will be facilitating introduction of world-class automotive safety, emission and performance standards in India and also ensure seamless integration of Indian automotive components industry with the global industry.
- **Chennai emerging as Design centre:** A “Research Valley” in Maraimalai Nagar near Chennai has undertaken design, prototype development and testing of new vehicle models. This centre is Asia’s largest facility with a built-up area of 8,00,000 sq.feet.
- **Excellent Government support:** State Government offers attractive support packages to attract mother plant which now cover all the automobile majors including Ford, Hyundai, Renault, Nissan, Daimler, BMW, Ashok Leyland, the TVS Group and every major auto components maker.
- **Cost effective manufacturing base:** Several studies have shown that Tamil Nadu is one of the most cost-competitive States in India.

1.2 Opportunities:

- Chennai offers potential to double the automobile production within the next 3 years and the potential to emerge as one of the Top 10 Auto clusters in the World.

- Automobile industry offers a high Multiplier effect on the rest of the economy. If the mother plant directly employs one worker, the vendors and support industries employ about 8 workers. Again, if the mother project invests \$ 1, the vendors invest about 3 times. In view of this high multiplier effect, automobile industry can help create large gainful employment opportunities for the large pool of educated youth in the State.

5. NEED FOR AN AUTOMOBILE AND AUTO COMPONENTS POLICY

5.1 Presently, a package of incentives is available only for ultra mega auto projects. Even though automobile and components constitute an important segment in our economy, Tamil Nadu does not have a separate integrated and comprehensive policy to retain the State's leadership position, to enhance its competitive edge and to address the critical issues faced by this industry.

6. OBJECTIVES OF THE POLICY

- Focus on further development and consolidation of automobile and components industry where Tamil Nadu enjoys a comparative advantage and to strengthen this industry as a key driver of economic growth.
- Promote competitiveness and cutting costs for the industry.
- Promote new auto clusters and attract mega automobile projects with economic spin off potential, particularly in the Southern districts.
- Facilitate backward and forward linkages to maximise value-addition in the State and to encourage Small and Medium Enterprise vendors.
- Address the specific infrastructure gaps and deficiencies that affect the automobile and components industry.
- Augment the talent pool to meet the long term skilled manpower requirements of this industry and to encourage Public-Private-Partnership initiatives and Industry-Institution partnerships in skill development

- Ensure harmonious industrial relations
- Generate additional employment potential for about 5 lakh persons by 2015 in automobile and components industry.
- Double export of Automobile and components from Tamil Nadu by 2016.
- Make Tamil Nadu *numero uno* in Asia in the automobile and components industry; and
- Make Chennai one of the top five centres in the world in the automobile and components industry.

7. IMPLEMENTATION STRATEGIES

7.1 The State Government will adopt the theme, “Tamil Nadu, the Partner in Automotive Sector Investment”, as a long term strategy to widen and deepen the automotive industry with the aim of doubling the production volumes every five years to reach 5 million vehicles per annum by 2020. Towards this end, the State Government will

- Form an Automotive Industrial Development Centre (AIDC) offering investment facilitation services to companies wishing to invest in the automotive industry in Tamil Nadu.

The AIDC will;

- (i) support and facilitate the Government to deliver appropriate policy framework, policy implementation, policy interventions and policy mid-course corrections that are aimed at making Tamil Nadu an attractive destination for the manufacture and export of motor vehicles,
- (ii) assist new investors in the decision making process, and

- (iii) facilitate supply chain development, suppliers development and skills development and training;
- establish an Automotive Suppliers Park (ASP) to improve the logistics competitiveness for the units set up there. The ASP will offer space, area development, shared business services and optimized logistics services; and
- set up an Auto City, a state-of-the-art industrial park as a joint venture, spread over 1000 hectares catering to domestic and global automotive / component design, prototyping, manufacturing and remanufacturing units for
 - Cars, Buses, Trucks and derivatives
 - Earthmoving equipment
 - Machined auto components, Castings and Forgings and
 - Cold-rolled Close Annealed (CRCA) rolling and servicing.

7.2 The Auto City will serve automotive /Component companies catering to the export markets. It will have

- (i) A Logistics Hub to provide with multimodal transport including appropriate equipment for safe and efficient handling
- (ii) Design & Technology Park where common facilities will be created for use by all auto / component units
- (iii) Common infrastructure such as Drainage / Effluent Treatment / Solid Waste management & utilities including Power, Gas and Water.
- (iv) Shared capabilities to meet staffing and training requirements, prototyping requirements, testing facilities, scrap management facilities, effluent & hazardous waste management facilities etc. and

- (v) Shared infrastructure facilities for metal forming, surface treatment, die handling and maintenance etc.

8. INFRASTRUCTURE

8.1 Availability of land with close proximity to road and rail network is the need of the hour for the industry. The Government of Tamil Nadu will provide a speedy, facilitative role in providing space for the industries.

8.2 Promotion of Auto Parks:

In addition to the Auto City, new auto clusters will be promoted in Tiruchirappalli, Tirunelveli and Thoothukudi. Existing clusters in Madurai and Coimbatore will be strengthened. SIPCOT will promote Auto Industrial Parks in Coimbatore, Tiruchirappalli, Thoothukudi, etc. and extend all infrastructure and other common facilities to attract more investment from small and medium auto component industries.

8.3 Power:

8.3.1 Auto component industry is a quality power intensive and power sensitive industry. With the industry becoming hi-tech, more and more precision engineering technologies and machineries are being used to produce world-class products, not only for the Indian operations but for global operations as well. This requires availability of reliable and quality power.

8.3.2 Additional generating capacity to the tune of 6,200 MW by the end of twelfth plan period will be created through joint ventures and State owned power projects to meet the growing demand.

8.3.3 If the power requirement is in excess of 25 MVA, then TNEB will provide a substation (230 KV SS / 110 KV SS depending on the power requirement) at its cost and the land for the substation will have to be provided by the Developer Agency free of cost.

8.3.4 The HT consumers will be facilitated to procure required power within their sanctioned demand from generators within Tamil Nadu and other States and also from Power Exchanges on payment of necessary open access charges.

8.4 Railways:

8.4.1 Railways will be requested to provide fast trains with limited stops to Maraimalai Nagar Industrial Area. Similarly, steps will be taken to ensure that other industrial areas like Sriperumbudur, Oragadam, Pillaipakkam and Ambattur are well connected with similar facilities.

8.4.2 The State Government and the Southern Railways have already initiated the process for establishment of broad-gauge rail link between Avadi and Guduvancherry with a spur line (1.5 Km) from Sriperumbudur to Irungattukkottai

8.4.3 Ministry of Railways will be persuaded –

- to provide a rail link for Pillaipakkam;
- to provide Sub-way for pedestrian crossing at congested locations especially near Industrial parks.
- to increase frequency of trains closer to the shift hours in the industrial belts.

8.5 Ports:

8.5.1 Tamil Nadu has the advantage of being on the Eastern Coast. One of the largest exporters of cars is based in Tamil Nadu and with more manufacturers looking at India as a hub for small car for domestic as well as for exports, port infrastructure will need to be strengthened and aligned to world standards for clearance of goods at a faster pace. With Free Trade Agreements being signed with ASEAN Countries in particular, there is certainty of increase in automotive trade between these countries and India.

8.5.2 Govt. of India / Ministry of Shipping will be impressed upon the need to construct multi level parking in the major ports of the State.

8.5.3 Chennai port / Ennore Port / Thoothukudi Port will be requested to –

- Ensure no restrictions for 24 hours movement of Export / Import Consignment Trucks / Lorries / Container Trailers.
- Establish Dedicated Car Export Terminal with Ro-Ro facilities
- Deepen the ports to a minimum of 14 metres to enable larger car carriers
- Provide faster Customs clearance and electronic documentation

8.6 Roads:

8.6.1. The Government has taken the initiative to augment the road capacity in tune with the growing needs of development. The Comprehensive Road Infrastructure Development Programme (CRIDP) is a flagship scheme wherein Government of Tamil Nadu has sanctioned Rs.14,872 Crore for widening and improvements in 50610 km roads and 2020 number of culverts, bridges and protective works to develop the road infrastructure facilities. As of March 2013, 95% of State Highways in Tamil Nadu are multi-lane whereas in other States this is not even 50%.

8.6.2 The Government in collaboration with NHAI and the Government of India will improve the connectivity to Chennai and Ennore Ports. The Government will build a Chennai Peripheral Ring Road with 8-lanes and 2 service lanes on both sides covering a length of 162 km which will connect Mamallapuram to Ennore Port with links to NH 45, NH 4, NH 205 and NH 5. The construction cost of the Ring Road is assessed as Rs.6500 Crore. Japan International Cooperation Agency (JICA) has expressed its willingness to fund the project. Construction of this road will enhance connectivity between various ports and serve the industrial hinterland adjoining the Chennai City.

8.7 Testing Facilities:

One of the major costs for the industry in terms of compliance to global standards is the various types of testing for components and the vehicles. In this regard, the National Automotive Testing and R&D Infrastructure Project (NATRiP) has been established in Oragadam near Chennai by Ministry of Heavy Industries & Public Enterprises, Government of India at a cost of Rs. 470 crore. This would help in reducing the costs and lead-time for testing.

8.8 Waste Management:

8.8.1 Efforts will be taken to identify and earmark land for hazardous waste disposal at subsidized rates.

8.8.2 Infrastructure in proposed as well as existing Industrial Parks / Estates will include provision for a solid waste disposal yard, waste water treatment plant, common effluent treatment plants, etc.

8.9 Common Facilities:

8.9.1 SIPCOT will provide land and facilitate the creation of common facility centres in each Industrial Park for testing, metrological centre, tool room, training facilities for workers, dormitory facilities for workers, housing near the place of work for employees, education facility for workers children, medical facilities, vehicle parking locations/terminals, and public transport facilities.

8.9.2 The Tamil Nadu Housing Board, the Education Department and the Transport Department will also on their part provide housing, education and transport facilities respectively near the SIPCOT Industrial Parks.

8.10 Skill Development / Enhancement & Training:

Every year, more than one lakh technically qualified persons at all levels from ITI trained to Engineering Graduates come out of the professional institutions

in the State. The Tamil Nadu Skill Development Mission initially implemented through a society has been reorganized as a Special Purpose Vehicle (SPV) with participation from private sectors under the Companies Act, 1956 as Tamil Nadu Skill Development Corporation in the year 2013 will facilitate the matching of the technical skills of these youth with the needs of the industries.

8.11 Institutional Arrangements:

8.11.1 Students will be taught the technical skills required to work in the field, regarding the trends in the industry and also the certification and other statutory requirements. Besides, Auto Engineering (including repairs and services), areas like automobile sales, vehicle inspection services, auto finance and auto insurance will be introduced in the Curriculum for the vocational studies. This would produce industry-ready labour, thus increasing the productivity of the state, which in turn would be a huge incentive for new industries to look at investing in Tamil Nadu.

8.11.2 Technical Institutes and polytechnics will be encouraged to align themselves with the industry needs and consult industry wherever needed for inputs and planning. An Industry-Institution Interaction Cell (III Cell) will be formed in each Polytechnic College.

8.11.3 An Auto Industry Training Institute on PPP mode will be promoted to produce skilled labour employable by the auto industry. Imparting basic industry practice, sensitizing basic skills and e-learning will be part of the curriculum.

8.11.4 'Training Incentives' award will be introduced for Automobile Manufacturers and Auto Component Manufacturers.

8.11.5 ITIs/polytechnics in industrial areas will be identified in association with industry for automotive industry training. Recruitment of experienced and knowledgeable faculty from Industry who have hands on experience will be facilitated. The curriculum, the training course and format will be revisited with the industry experts.

8.11.6 The Industry will be asked to extend support by way of providing a Guest Lecturer for the ITI's and Polytechnics once or twice a week.

8.11.7 Shop-floor training during the training period will be partnered with industry. Links will be established with automotive industry to help employ the trainees.

8.11.8 Companies employing students from schools/colleges and providing special training etc., will be incentivised to enable more training and employment generation. This would also reduce the burden on the infrastructure of ITI's.

8.11.9 As part of industrial exposure to the polytechnic students, industry visits will be made mandatory.

8.11.10 ITIs/Polytechnics will be encouraged to become E-enabled and conduct e-learning courses.

8.12 Labour:

8.12.1 Automotive, and component sector in particular, is labour-intensive and has huge potential for employment generation.

8.12.2 Subject to applicable laws and as far as possible, the Government will consider giving permission to the automobile and auto components industry for 24x7 (three shifts) operations, employment of women in the night shifts, flexibility in employment conditions including working hours for women and shorter or longer shift timings and hiring of contract workers.

8.12.3 The automobile industry will be declared to be a 'Public Utility' under the Industrial Disputes Act, 1947 in order to prevent flash strikes.

8.13 Fiscal incentives:

8.13.1 The incentives in the New Industrial Policy 2014 will be applicable to Automobile and Auto Components Industry as well.

8.13.2 Apart from this, in order to encourage setting up of Integrated Ultra Mega Automobile Projects, either new or expansion, Ultra Mega and Super Mega Auto & Auto Component Projects will be offered a rebate in cost of land procured from SIPCOT at 10% and 5% respectively.

8.13.3 Automobile Hubs & Clusters will be incentivized by providing 50% stamp duty concession and additional capital subsidy of 5%.

8.14 Other measures:

- An “**Automobile and Auto Components Industry Consultative Committee**” under the Hon’ble Minister for Industries including leading industrialists, organisations like ACMA, SIAM, CII, etc., will be constituted and the committee will meet periodically to discuss the major issues confronting the industry and advise Government on remedial measures needed.
- Private-Public-Partnership (PPP) will be encouraged to implement infrastructure projects with the active participation of the automobile industry.
- Federal issues like upgradation of port facilities, National Highway roads, taxation, anti-dumping, etc. will be facilitated.





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